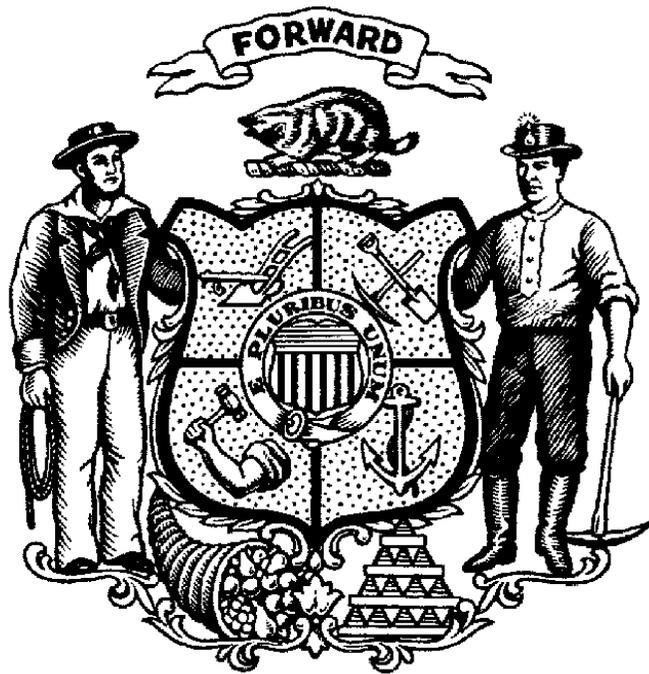


State of Wisconsin

Health and Educational Facilities Authority



Agency Budget Request
2015 – 2017 Biennium
September 15, 2014

Table of Contents

Cover Letter	4
Description	9
Agency Total by Fund Source.....	10
Agency Total by Program	11
Agency Total by Decision Item (DIN).....	12
Decision Items.....	13

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Dennis P. Reilly
Executive Director

June 30, 2014

Michael Heifetz
Administrator, Division of Executive Budget and Finance
Wisconsin Department of Administration
Madison, Wisconsin

Dear Mr. Heifetz:

On behalf of the Wisconsin Health and Educational Facilities Authority (WHEFA), we respectfully request your support in the 2015-2016 State Budget to modify Section 231.02(2) of the Wisconsin Statutes in a manner that would grant the WHEFA board the ability to determine the appropriate salaries of the WHEFA staff without regard to the current statutory salary cap limitation.

WHEFA is entering its 35th year of existence and has completed over 750 financings on behalf of Wisconsin nonprofit institutions totaling in excess of \$20 billion. These accomplishments have been achieved without receipt of any State appropriations. Rather, WHEFA's operations are funded solely by the comparatively small annual fee that it collects from each borrower.

The success of WHEFA has been due, in large part, to the strong commitment over the years by its various board members and the dedicated work of its efficient and experienced staff. WHEFA's staff of four not only provides Wisconsin nonprofit institutions with access to low-cost capital financing, but also provides them with other services that include providing guidance on financing options, obtaining and analyzing responses from lenders for financing proposals, providing free educational seminars and newsletters, and providing grants to support certain Wisconsin nonprofit organizations. The expertise, professionalism, loyalty and longevity of the WHEFA staff has added to its ability to efficiently provide these services.

As a board, each of us has been appointed by a Wisconsin Governor with the consent of the State Senate and given the authority pursuant to Chapter 231 to make decisions related to WHEFA and the implementation of its statutory powers. Additionally, the chair of the WHEFA board is appointed by the Governor. This process, established by statute, provides the State with control over the persons selected to oversee the WHEFA operations. The board meets approximately 8-10 times per year as needed to conduct WHEFA business, including the approval of bond financings, the establishment of policies, the approval and monitoring of WHEFA's annual budget, and compensation for WHEFA staff.

We are, however, limited by Section 231.02(2) to State Salary Groups 3 and 4 in determining the compensation of the staff, including that of the Executive Director. We will be seeking a removal of this statutory salary cap to allow the board the flexibility and control over salaries



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that will allow WHEFA to retain qualified staff and recruit when necessary. We believe that it is appropriate for such salaries to be set by WHEFA's board members, who are aware of the job descriptions and performance of the staff, based on an individual's specific qualifications, education, experience, tenure, job performance, and market-based compensation data, including comparable statistics from other similar authorities in other states.

We appreciate your consideration of this request for your support and wish to thank you for the opportunity to serve the State and to continue to help promote Wisconsin economic development and job creation by assisting Wisconsin nonprofit institutions obtain financing for their various improvement projects.

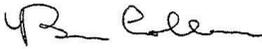
Sincerely,



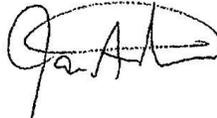
Richard Canter
WHEFA Chairperson



Tim Size
WHEFA Vice Chairperson



Bruce Colburn



James Dietsche



Kevin Flaherty



Richard Keintz



Robert Van Meeteren

cc: Secretary Mike Huebsch, Department of Administration

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Dennis P. Reilly
Executive Director

WHEFA BUDGET REQUEST 2015-2016

Request:

To modify Wisconsin statutes § 231.02 (2) as follows to allow the WHEFA Board to establish salaries for staff without caps:

§ 231.02(2) The authority shall appoint an executive director and associate executive director who shall not be members of the authority and who shall serve at the pleasure of the authority. They shall receive such compensation as the authority fixes. ~~except that the compensation of the executive director shall not exceed the maximum of the salary range established under s. 20.923 (1) for positions assigned to executive salary group 4 and the compensation of each other employee of the authority shall not exceed the maximum of the salary range established under s. 20.923 (1) for positions assigned to executive salary group 3.~~

Background:

Wisconsin law allows for several quasi-government authorities that operate outside of the regular government structure and are managed by a board of directors. Currently, there are 7 authorities active in addition to WHEFA: the Wisconsin Economic Development Corp (WEDC), the Wisconsin Aerospace Authority (WAA), the Fox River Navigational System Authority, the Lower Fox River Remediation Authority, the Health Insurance Risk Sharing Plan Authority (HIRSP), the Wisconsin Housing and Economic Development Authority (WHEDA) and the University of Wisconsin Hospitals and Clinics Authority.

Wisconsin law details the creation and organization of each authority, specifies board members, and allows for the board to appoint the chief executive officer and/or executive director. The majority of Wisconsin authority boards are granted the ability to determine compensation of its employees without limitations. In the case of WHEFA, WHEDA and the Lower Fox River Remediation Authority, the respective governing statutes allow for the board of each to determine the compensation of its executive director or chief executive officer, subject however to the current statutory limitations (see table).

Specifically related to WHEFA, § 231.02 (2) provides the WHEFA Board the ability to establish compensation of WHEFA staff, except that the compensation of the executive director shall not exceed the maximum of Executive Salary Group 4 and the compensation of each other employee of WHEFA shall not exceed the maximum of Executive Salary Group 3.



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Wisconsin law allows for the employees of each authority to participate in the State Retirement System. In addition, with the exception of WHEFA, all Wisconsin authorities are granted some level of taxpayer funding, whether it is general purpose revenue, program revenue or segregated funds. **WHEFA is the only State authority that does not receive any State taxpayer funding.**

Rationale:

- WHEFA has a long and successful history in Wisconsin, having completed 753 financings totaling more than \$20 billion for Wisconsin nonprofit institutions since 1979. WHEFA not only provides capital financing assistance, it also provides several services for nonprofits that other conduit issuers do not, such as: advice on financing options, obtaining lending RFP's, providing free seminars and newsletters on financing options and current trends, and providing grants to support certain nonprofit organizations.
- WHEFA is one of the most active issuers of tax-exempt bonds in the country. In the last 10 years (1999-2012), WHEFA was the 8th most active issuer in the country (out of 1,000) when ranked by total bond issues completed (287 issues for WHEFA) and the 53rd most active issuer in the country (out of 1,000) when ranked by total dollar amount issued (\$12.53 billion for WHEFA).
- WHEFA does not utilize any State moneys to fund its operations, rather the comparatively low small user fee that WHEFA charges is sufficient to fund its operations. The WHEFA staff are not employees of the State.
- WHEFA operates with an experienced and efficient staff of four.
- WHEFA's success is based on the ability of the staff to succeed as outlined in WHEFA's vision statement:
"WHEFA's ability to be successful is dependent on effective Member leadership and a staff that can provide operational excellence. This success will require Members and staff who are well informed about the industries served and who stay abreast of financing needs and options; they will exercise strong oversight using performance indicators to ensure strategic objectives are being identified and met; and employee polices and incentives that provide for the recruitment and retention of high quality, experienced staff to implement programs and services."
- Establishing a statutory salary for the Executive Director and staff does not allow the board proper discretion to recognize experience, education, tenure, job performance or comparable statistics from other similar authorities around the country. The WHEFA board is made up of 7 members appointed by the Governor, and approved by the Senate, and granted the Governor's confidence to make decisions. The board meets approximately 8-10 times per year as needed and is responsible for approving projects as well as establishing policies and compensation for staff. Allowing the board control

over salaries enables its ability to recruit and retain qualified staff.

- The executive salary groups assigned to WHEFA staff are not aligned with comparable private-sector positions in the financial services industry. The state-set salary does not take into consideration past experience, successes, job tenure, education and the success of WHEFA.
- A recent national survey showed that in the majority of states with similarly organized finance authorities, the executive director's salary is not subject to a salary cap and the salary of the executive director is set by the authority board.

Authority	Participates in Wisconsin Retirement System	Receives State GPR, PR or SEG Funds	Executive Director/CEO compensation
Wisconsin Health & Educational Facilities Authority (WHEFA)	Yes	No	The authority shall appoint an executive director and... they shall receive such compensation as the authority fixes, except that the compensation of the executive director shall not exceed the maximum of the salary range established under s. <u>20.923 (1)</u> for positions assigned to executive salary group 4... [Wis. Stats. <u>231.02(2)</u>]
Wisconsin Economic Development Corporation (WEDC)	Yes	Yes	The chief executive officer shall receive such compensation as may be determined by the board. [Wis. Stats. <u>238.02(3)</u>]
Fox River Navigational System Authority	Yes	Yes	The chief executive officer shall receive such compensation as may be determined by the board of directors. [Wis. Stats. <u>237.02(6)</u>]
Wisconsin Aerospace Authority	Yes	Yes	The board shall determine the compensation of the executive director. [Wis. Stats. <u>114.61(7)</u>]
Lower Fox River Remediation Authority	Yes	Yes	The board shall determine the compensation of the executive director and any associate executive director, except that the compensation of the executive director may not exceed the maximum of the salary range established under s. <u>20.923 (1)</u> for positions assigned to executive salary group 4. [Wis. Stats. <u>279.02(2)</u>]
Health Insurance Risk Sharing Plan Authority	Yes	Yes	The executive director shall receive such compensation as may be determined by the board. [Wis. Stats. <u>149.41(5)</u>] [Chapter 149 repealed eff. 1-1-15]
Wisconsin Housing and Economic Development Authority	Yes	Yes	The authority shall employ the executive director ...and shall determine their qualifications, duties and compensation, all notwithstanding subch. II of ch. <u>230</u> , except that s. <u>230.40</u> shall apply, and except that the compensation of any employee of the authority shall not exceed the maximum of the executive salary group range established under s. <u>20.923 (1)</u> for positions assigned to executive salary group 6. [Wis. Stats. <u>234.02(3)</u>]
University of Wisconsin Hospitals and Clinics Authority	Yes	Yes	The chief executive officer shall receive such compensation as the board of directors fixes. [Wis. Stats. <u>233.02(9)</u>]

AGNECY DESCRIPTION

The Authority, created by the Legislature in 1973 (Chapter 231, Wisconsin Statutes), has been providing active capital financing assistance to Wisconsin non-profit health care institutions since 1979. In 1987, the Authority's charter was expanded to include the issuance of bonds for the benefit of independent colleges and universities and certain continuing care facilities. In 2004, the Authority's charter was further expanded to include the issuance of bonds for the benefit of private, non-profit elementary or secondary educational institutions. In 2009, the Authority's charter was again expanded to include the issuance of bonds for the benefit of non-profit research facilities. In 2013, WHEFA's charter was permanently expanded to include the issuance of bonds for the benefit of all Wisconsin 501(c)3 nonprofit organizations.

The Authority staff assists these institutions in analyzing financing alternatives and in structuring revenue bond issues to meet their needs. This financial advisory service is available to all eligible borrowers even if the Authority may not be the ultimate issuer for the financing. Funds for each project financed by the Authority are obtained through the sale of revenue bonds of the Authority. Bonds are sold to institutional lenders in direct placement transactions and to individual and institutional investors in public offerings. Bond sale proceeds are loaned by the Authority to the borrowing institution or project sponsor. No state or other public funds are used.

The Authority's bonds are payable solely out of loan repayments from the borrowing institution, sponsor or guarantor. They are not a debt, liability, or moral obligation of the State of Wisconsin or any of its political subdivisions. The Authority has no taxing power.

The credit supporting any Authority bond issue is the credit of the borrowing institution involved. The availability of financing and its terms and conditions depends in each case upon the credit-worthiness of each borrower. In most cases, interest paid on Authority bonds is exempt from federal income taxation, resulting in materially lower financing costs to the borrowing institution. Interest on bonds issued by the Authority is not exempt from present Wisconsin income taxation with limited exception or unless such exemption is already available on bonds eligible to be issued for the same purpose through another Wisconsin authority.

The Authority is governed by a seven-member board of directors appointed by the Governor with advice and consent of the Senate for staggered seven-year terms. Members of the Authority must be residents of the state and not more than four may be members of the same political party.

Agency Total by Fund Source

Health and Educational Facilities Authority

1517 Biennial Budget

		ANNUAL SUMMARY					BIENNIAL SUMMARY				
Source of Funds		Prior Year Total	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
GPR	S	\$0	\$0	\$0	\$0	0.00	0.00	\$0	\$0	\$0	
Total		\$0	\$0	\$0	\$0	0.00	0.00	\$0	\$0	\$0	
Grand Total		\$0	\$0	\$0	\$0	0.00	0.00	\$0	\$0	\$0	

Agency Total by Program

440 Health and Educational Facilities Authority

1517 Biennial Budget

Source of Funds	ANNUAL SUMMARY						BIENNIAL SUMMARY			
	Prior Year Actual	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
Agency Total										0.00%

Agency Total by Decision Item

Health and Educational Facilities Authority

1517 Biennial Budget

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
4000 Statutory Salary Cap for WHEFA Employees	\$0	\$0	0.00	0.00
TOTAL	\$0	\$0	0.00	0.00

Decision Item (DIN) - 2000

Decision Item (DIN) Title - Adjusted Base Funding Level

NARRATIVE

Adjusted Base Funding Level

Decision Item (DIN) - 4000

Decision Item (DIN) Title - Statutory Salary Cap for WHEFA Employees

NARRATIVE

The Authority requests that Ch. 231 Wis. Stats., be amended to authorize the board authority to establish salaries for staff without statutory caps. This amendment is anticipated to have no state fiscal impact.

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Dennis P. Reilly
Executive Director

WHEFA BUDGET REQUEST 2015-2016 – *supplemental material*

The WHEFA staff are not employees of the State. WHEFA is an at will employer meaning that the work relationship can be terminated at the will of either WHEFA or the employee, with or without reason, at any time.

A recent national survey showed that in the majority of states with similarly organized finance authorities, the executive director's salary is not subject to a salary cap and the salary of the executive director is set by the authority board (see appendix A). The average salary of active conduit issuers, similar to WHEFA, is approximately \$140,000 - \$145,000.

WHEFA is one of the most active issuers of tax-exempt bonds in the country. In the last 10 years (1999-2012), WHEFA was the 8th most active issuer in the country (out of 1,000) when ranked by total bond issues completed (287 issues for WHEFA) and the 53rd most active issuer in the country (out of 1,000) when ranked by total dollar amount issued (\$12.53 billion for WHEFA).

Since July 2013, and the expansion of WHEFA's authority to issue bonds on behalf of all nonprofit 501(c)(3) organizations in the State, WHEFA has worked with 4 new borrowers totaling over \$45 million that would not have qualified for WHEFA financing prior to the expansion.

Please see Appendix B for WHEFA's activity the last 15 years.

WHEFA Budget request 2014-2015.docx

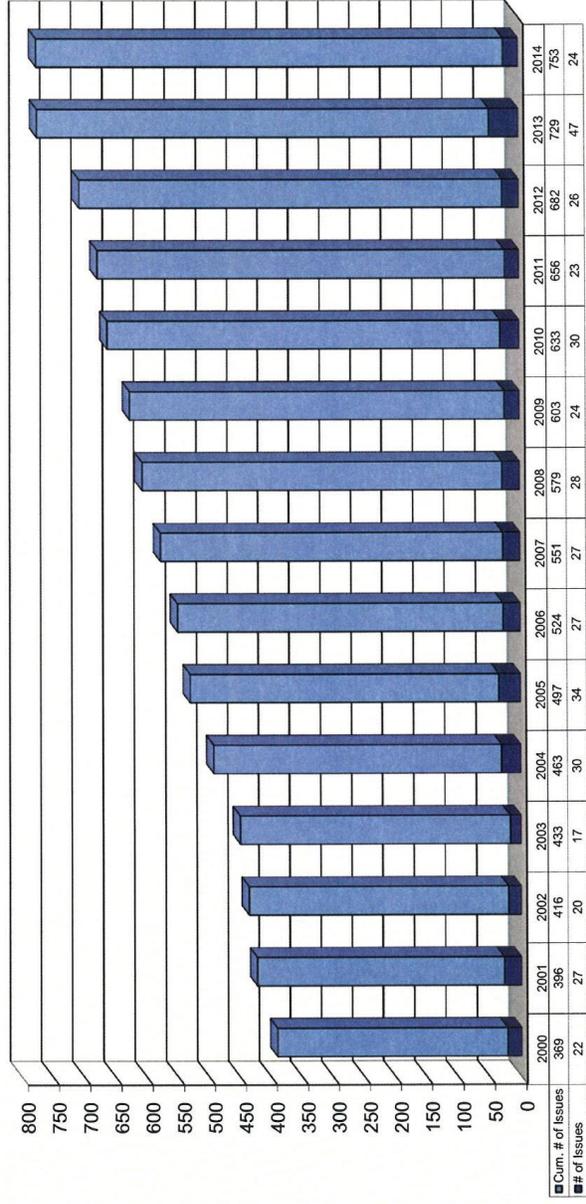


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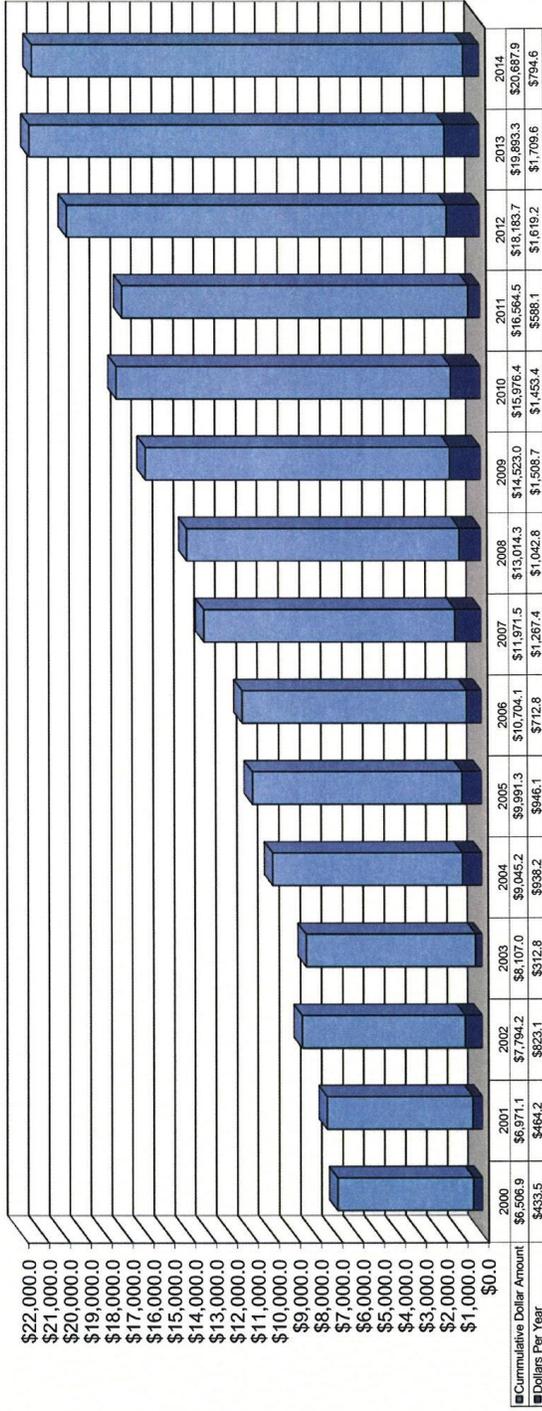
NAHEFFA National Survey of Conduit Issuers

<u>State Authority</u>	<u>State Funds</u>	<u>State Salary Cap</u>	<u>If no, who sets the ED's salary?</u>	<u>State Retirement System</u>
1 Arizona	No	No	Board Members	Yes
2 California	did not respond to survey			
3 Colorado - Ed	No	No	Board Members	No
4 Colorado - Health	No	No	Board Members	Yes
5 Connecticut	No	No	Board Members	
6 Florida - Escambia County	No	No	Board Members	
7 Idaho	No	No	Board Members	No
8 Illinois	No	No	Board Members	No
9 Iowa	No	No	Board Members	No
10 Kansas	No	No	Board Members	Yes
11 Louisiana	No	No	Board Members	Yes
12 Maine	No	No	Board Members	Yes
13 Maryland	did not respond to survey			
14 Massachusetts	did not respond to survey			
15 Michigan	did not respond to survey			
16 Minnesota	No	Yes, state employee		Yes
17 Mississippi	did not respond to survey			
18 Missouri	No	No	Board Members	No
19 Montana	No	Yes, state employee		Yes
20 Nebraska	No	No	Board Members	No
21 New Hampshire	No	No	Board Members	No
22 New Jersey Health	No	No	Board Members	Yes
23 New Mexico	did not respond to survey			
24 New York	No	No	Board Members	Yes
25 North Carolina	Yes	Yes, state employee		
26 Ohio	did not respond to survey			
27 Oregon	did not respond to survey			
28 Pennsylvania	No	Yes, state employee		Yes
29 Rhode Island	No	No	Board Members	No
30 South Carolina	No	No	Board Members	
31 South Dakota	No	No	Board Members	No
32 Vermont	No	No	Board Members	No
33 Washington - Ed	No	No	Board Members	Yes
34 Washington - Health	No	No	Board Members	Yes
35 West Virginia	No	Yes, state employee		

Number of Bonds Issued 35 Years of Cumulative Activity and 15 Years of Activity



Dollar Amount Issued (In Millions) 35 Years of Cumulative Activity and 15 Years of Activity



Decision Item by Line

1517 Biennial Budget

	CODES	TITLES
DEPARTMENT	440	Health and Educational Facilities Authority
	CODES	TITLES
DECISION ITEM	4000	Statutory Salary Cap for WHEFA Employees

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$0	\$0
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Health and Educational Facilities Authority

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	4000	Statutory Salary Cap for WHEFA Employees			
01	Construction of health and educational facilities				
	01 General program operations	\$0	\$0	0.00	0.00
	Construction of health and educational facilities SubTotal	\$0	\$0	0.00	0.00
	Statutory Salary Cap for WHEFA Employees SubTotal	\$0	\$0	0.00	0.00
	Agency Total	\$0	\$0	0.00	0.00

Decision Item by Fund Source

Health and Educational Facilities Authority

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	4000	Statutory Salary Cap for WHEFA Employees				
	GPR	S	\$0	\$0	0.00	0.00
	Total		\$0	\$0	0.00	0.00
Agency Total			\$0	\$0	0.00	0.00